

17.46 hrs.

UNIT TRUST OF INDIA (AMENDMENT) BILL

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRI-MATI (SUSHILA ROHATGI): Sir, I beg to move:

"That the Bill further to amend the Unit Trust of India Act, 1963, be taken into consideration."

Sir, when the Parliament was not in session, an Ordinance was promulgated on 31st October, 1975 amending the Unit Trust of India Act, 1963. A statement indicating the circumstances which necessitated the promulgation of the Unit Trust of India (Amendment) Ordinance 1975 has already been laid on the Table of the House.

Hon'ble Members are aware that the Unit Trust of India was established in 1964 with an initial capital of Rs. 5 crores to promote public savings through the sale of units. The primary objective of the Trust is to encourage and mobilise savings of the community and channelise them into productive corporate investments so as to promote the growth and diversification of the country's economy.

During the last 11 years of the operation of the Unit Trust of India almost the entire sale of units has been confined to the country and sales to Non-resident Individuals constituted a negligible portion (about 1.7 per cent) of the total sales of the Unit Trust of India.

Government has been recently examining various suggestions to mobilise the savings of the nonresident Indians and aliens of Indian origin living abroad and to facilitate investment in India by those people and to improve remittance from Indians earning abroad. In this connection Government has examined various suggestions and it was considered appropriate that the income earned by non-resident

Indians and aliens of Indian origin on investments in units of the Unit Trust of India purchased from Non Resident (External) Accounts are made tax free and are brought at par with the fixed deposits by these people in the nationalised banks. At present, while in respect of Non Resident (External) Accounts the interest earned by non-resident Indians is totally free of income tax and no tax is withheld, this did not apply to non-resident unit-holders who secured exemption only upto Rs. 5,000 allowed to all Indian investors.

In order to bring the Non-resident Indian unit holders at par with the bank depositors in this category, the Unit Trust of India (Amendment) Ordinance, 1975 was promulgated on 31st October, 1975. which inter alia provides that:—

Income earned from Units of the Unit Trust of India purchased by non-resident Indians and aliens of Indian origin from Non-Resident (External) Accounts or through remittance of foreign exchange will be free from income tax. The Ordinance further envisages that investments in Units by the above mentioned persons, either from Non-Resident (External) Accounts for through remittance of foreign exchange, will also be free from wealth tax.

The impact of the Ordinance appears to be favourable and a larger number of non-resident Indians and aliens of Indian origin are likely to make investment in Units the Unit Trust of India; thus improving the inflow of foreign exchange into the country. The Unit Trust of India has already launched a campaign in different foreign countries where the potentiality of investment in Units appeared to be greater and arrangements are being made with the help of our Embassies, Consulates and overseas branches of the State Bank of India to appoint agents in these countries

[Shri Sushila Rohatgi]

for canvassing business for the Trust. It is reported that as a result of the initial efforts, applications for investments in Units totalling several lakhs of rupees have already been received by the Unit Trust of India.

It is hoped that with the enactment of the present legislation and the efforts underway the investments in Unit Trust of India by Non-Resident Indians and aliens of Indian origin will improve

Sir, the present Bill seeks to replace the Ordinance issued on 31st October 1975 and will come into effect from that date. I request the House to unanimously accept the Bill.

Sir, I move

MR. CHAIRMAN: Motion moved.

"That the Bill further to amend the unit Trust of India Act, 1963, be taken into consideration"

SHRI C K CHANDRAPAN (Tellicherry): Mr. Chairman, Sir, we have no objection in passing this Bill because it will provide the Indians residing abroad the facilities which are already there in regard to the investment in the commercial banks. So, as a matter of policy, I do not think that the Government has brought forward anything new

At the same time, I do not understand one thing. In this very House, on previous occasions, the Chair has told the Government that unless it is very essential, it is not good to promulgate an ordinance. I really fail to understand what was the urgent necessity behind promulgating this Ordinance for regularising a certain thing. It was absolutely not necessary. The Ordinance was promulgated on 31st October. From 31st October till the day on which the Parliament met, I do not think the Government has achieved any tremendous

break-through in mobilising the resources by way of foreign exchange in Unit Trusts. I would like the hon. Minister, while replying to the debate to enlighten the House as to what was the reason for the Government to promulgate this Ordinance and take the House for granted that it will just approve it.

Then, the hon. Minister said that there is a good response to the Ordinance and that several lakhs of dollars or several lakhs of rupees worth of foreign exchange are being attracted by the Unit Trust of India. I would like her to be more specific to tell us what exactly has been the response. From that, one can understand whether it was justifiable to promulgate this Ordinance in such a haste.

The third point that I would like to make is about the functioning of the Unit Trust of India. By way of fulfilling an assurance given in the House, the Government has sent certain answers to me yesterday wherein the Government says that the Unit Trust of India is making a big investment in large industrial houses. The whole scheme of the Unit Trust of India is supposed to be the one by which the small income group, the middle income group and the people who are not very affluent will save their little savings and they will be utilised for the growth of our economy in a purposeful manner. While introducing the Bill, the hon. Minister also said that the Government is amending the Act and bringing forward this Bill with a view to attract the foreign exchange so that the economic growth of our country will be made faster. I do not disagree with that. But I disagree very much and rather violently on this point that you collect money of the poor ordinary people and you invest it with large industrial houses. I would like to know to what extent they have invested the money in large industrial houses through the Unit Trust of India during the last several years. If that

is the policy of the Government, then I fear one thing. Of course, it will help the economic growth but it will not encourage the economic growth with social justice about which we are talking so much. If we are collecting money from the poor and giving it to the rich and the Unit Trust of India is a conveyor belt in doing this process, then it will add to the distortion of economy. That is why I feel that, while answering, the Government should come forward and say more specifically what their policy is in regard to the investment of the Unit Trust of India.

Lastly, in the same answer the Government says that the Unit Trust is represented by Shri R. D. Pusalkar, Shri M. V. Arunachalam and Shri D. C. Randeria. This was as in July 1974. I would like to know who are these gentlemen. Government should not try to escape by saying that they are trustees. I know, they were the trustees of the Unit Trust at that time. . .

SHRI N. K. P. SALVE (Betul)
This is outside the scope of the Bill

SHRI C. K. CHANDRAPPAN: I support the Bill, but I would like that the Unit Trust should function in such a manner that it will justify this amendment. That is the reason why I am raising these points. I would like to ask the Minister whether these people, the trustees, are big industrialists, whether they are leaders of the Chamber of Commerce. I want to know who are those people. Or, do they belong to that small income group who are investing in the Unit Trust of India?

These are some of the things I would like the hon. Minister to answer while she replies. Otherwise, we support this Bill.

श्री मूल चन्द्र डामर (गान्धी) . इस बिल की भावना का मैं पूरा-पूरा समर्थन

कर रहा हूँ। इस बात में कोई भी इत्का नहीं कर सकता है कि यह बहुत अच्छा बिल है। मैं समझता हूँ कि इस बिल का पूरा समर्थन करूँगा। लेकिन मैं आप में कुछ सफाई चाहता हूँ। यूनिट ट्रस्ट आफ इंडिया की लास्ट जॉर्गिपोट है उस में उसने लिखा है :

"As the Trust enters the first year of its second decade, however, a measure of uncertainty has developed about the ability of the Trust to play its role in future. The limitation on dividend as announced by the Government would no doubt affect the Trust's income by reducing the dividends the Trust earns from its investments in ordinary shares. However, it may be noted that ordinary shares are only one component of the Trust's investment portfolio and that there are other investments which are equally important but which would not be affected by the Government's measures. Besides, the Trust would also vary its investment strategy in the light of the developing conditions so that its ability to play its role, though somewhat restricted, is not impaired"

11 साल इस ट्रस्ट को काम करते हुए हो गए हैं। करोड़ों रुपया उस में सरकार का लगा हुआ है। शेयर खरीदने का जो काम है इसको किम तरह में किया जाता है, यह मैं आप में जानना चाहता हूँ। इसमें छोटी छोटी इंडस्ट्रीज की मदद की जाती है या नहीं की जाती है या कुछ वैस्टिड इट्रस्ट वाले ही इसमें लाभ उठाते हैं? आज चालीस हजार कंपनियां भारत में है। कुछ निमितेड है, कुछ अननिमितेड है। मैं समझता हूँ कि इसमें थोड़ी सी कंपनियां ही लाभ उठाती हैं। किन के शेयर खरीदे जाते हैं? मैं समझता हूँ कि उन्ही कंपनियों के खरीदे जाते हैं जिन का इस ट्रस्ट के मैम्बर

[श्री मूल चन्द डागा]

बढ़ावा देना चाहते हैं और जिन को बढ़ावा देना नहीं चाहते हैं उनके शेयर नहीं खरीदते हैं। क्या यह सही नहीं है कि कुछ वैस्टिड इटरेस्ट्स को ही वाच रिया जाता है ऐसा करते हुए? आप कहते तो हैं कि 5 यूनिट ट्रस्ट छोटी छोटी इंडस्ट्रीज के शेयर खरीद कर उनको बढ़ावा देता है। लेकिन क्या वाकई में ऐसा हो रहा है। खुद रिजर्व बैंक का और सरकार का इस में पैसा लगा

हुआ है, जीवन बीमा निगम का लगा हुआ है—

सभापति महोदय : डागा जी, अभी आप कितना समय और लेंगे ?

श्री मूल चन्द डागा : सभापति जी, मैं अभी 5, 7 मिनट और लेना चाहता हूँ।

सभापति महोदय : माननीय सदस्य अपना भाषण कल जारी रखें।

18 hrs

The Lok Sabha then adjourned till Eleven of the Clock on Friday, January 16, 1976 | Pausa 26, 1897 (Saka)